# Quarter 3 Financial Report
# For the period ended September 30, 2012


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CIC Crown Investments Corporation of Saskatchewan

# Introduction

Crown Investments Corporation of Saskatchewan (CIC) is the provincial government's holding corporation for its commercial Crown corporations. CIC has invested equity in its subsidiary corporations and collects dividends from these corporations.

The purpose of the following discussion is to provide users of CIC's financial statements with an overview of its financial health. This narrative on CIC's 2012 third quarter financial results should be read in conjunction with the December 31, 2011 audited consolidated and separate financial statements.

To facilitate greater transparency and accountability, CIC prepares two different sets of financial statements: CIC's consolidated financial statements that report on the commercial Crown sector; and CIC's separate financial statements that reflect its role as a holding corporation for the Province.

## CIC Consolidated Financial Statements

CIC's consolidated financial statements include CIC's results consolidated with the results of its subsidiary corporations. The unaudited condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34 - *Interim Financial Reporting* and include:

- Financial results of subsidiary Crown corporations:

  Information Services Corporation of Saskatchewan (ISC)
  SaskEnergy Incorporated (SaskEnergy)
  Saskatchewan Development Fund Corporation (SDFC)
  Saskatchewan Gaming Corporation (SGC)
  Saskatchewan Government Insurance (SGI)
  Saskatchewan Opportunities Corporation (SOCO)
  Saskatchewan Power Corporation (SaskPower)
  Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)
  Saskatchewan Transportation Company (STC)
  Saskatchewan Water Corporation (SaskWater)

- Financial results of wholly-owned subsidiary share capital corporations:

  CIC Asset Management Inc. (CIC AMI)
  CIC Economic Holdco Ltd.
  CIC Apex Equity Holdco Ltd.
  First Nations and Métis Fund Inc.
  Saskatchewan Immigrant Investor Fund Inc.

- Costs incurred by its wholly-owned non-profit subsidiary Gradworks Inc.;
- Dividends paid by CIC to the General Revenue Fund (GRF); and
- CIC's operating costs, public policy expenditures and interest earned on cash and short-term investment balances.

Consolidated earnings represent the total earnings in the Crown sector, taking into consideration the elimination of all inter-group transactions (i.e. revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC).

## CIC Separate Financial Statements

CIC's separate financial statements are used to determine CIC's capacity to pay dividends to the Province's GRF. The unaudited condensed separate financial statements have been prepared in accordance with IAS 27 - *Consolidated and Separate Financial Statements* and IAS 34 - *Interim Financial Reporting* at the request of the Saskatchewan Legislative Assembly. These financial statements are intended to isolate the Corporation's cash-flow and capital and operating support for certain subsidiary corporations. These financial statements include:

- Dividends from subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy, SGI, SGC, SOCO, and ISC);
- Dividends from share capital subsidiary CIC AMI;
- Dividends paid by CIC to the GRF;
- Grants to subsidiary corporations; and
- CIC's interest revenue on cash and short-term investment balances and operating costs.

## Consolidated Financial Statements

## Management's Discussion and Analysis

### Forward-Looking Information

Throughout the quarterly report, and particularly in the following discussion, are forward-looking statements. These statements can be recognized by terms such as "outlook", "expect", "anticipate", "project", "continue" or other expressions that relate to estimations or future events. By their nature, forward-looking statements require assumptions based on current information, management experience and historical performance. Forward-looking information is subject to uncertainties, and, as a result, forward-looking statements are not a guarantee about the future performance of CIC and its subsidiary corporations.

Readers should not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ materially from estimates, predictions and assumptions. Other factors that can influence performance include, but are not limited to: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance and competition in the Crown sector, and the regulatory environment. Given these uncertainties, assumptions contained in forward-looking statements may or may not occur.

### Major Lines of Business

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are associates and jointly-controlled entities, held through CIC's wholly-owned subsidiaries.

Management's Discussion & Analysis (MD&A) highlights the primary factors that have an impact on the consolidated financial results and operations of CIC. It should be read in conjunction with CIC's unaudited condensed consolidated interim financial statements and supporting notes for the period ended September 30, 2012. These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting*.

The unaudited condensed consolidated interim financial statements do not include all the disclosures included in CIC's annual audited consolidated financial statements. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with CIC's December 31, 2011 audited consolidated financial statements.

### Major Lines of Business (continued)

For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity. The following table lists wholly-owned subsidiaries, including the respective business line, which CIC consolidates in its financial statements:

| Investment | Major Business Line |
|---|---|
| Saskatchewan Power Corporation (SaskPower) | Electricity |
| Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel) | Telecommunications |
| SaskEnergy Incorporated (SaskEnergy) | Natural Gas Storage and Delivery |
| Saskatchewan Water Corporation (SaskWater) | Water and Waste Water Management |
| Information Services Corporation of Saskatchewan (ISC) | Registry Services |
| Saskatchewan Government Insurance (SGI) | Property and Casualty Insurance |
| Saskatchewan Gaming Corporation (SGC) | Entertainment |
| CIC Asset Management Inc. (CIC AMI) | Investments |
| Saskatchewan Opportunities Corporation (SOCO) | Research Parks |
| Saskatchewan Development Fund Corporation (SDFC) | Inactive |
| Saskatchewan Transportation Company (STC) | Passenger and Freight Transportation |

Utilities Insurance Entertainment Investment and Economic Growth Transportation

| **Subsidiary Corporation Earnings (Losses)**<br><br>**For the nine months ended (millions of dollars) (unaudited)** | **September 30 2012** | September 30 2011 |
|---|---|---|
| **SaskPower** | **$ 137.3** | $ 234.2 |
| **SaskTel** | **111.8** | 112.3 |
| **SaskEnergy** | **51.6** | 60.4 |
| **SGI** | **57.6** | (24.0) |
| **CIC AMI** | **6.2** | 7.6 |
| **SGC** | **20.1** | 19.7 |
| **ISC** | **16.2** | 14.3 |
| **SaskWater** | **3.7** | 3.2 |
| **STC** | **(0.4)** | 0.1 |
| **SOCO** | **4.1** | 4.7 |
| **SIIF** | **(0.5)** | (0.4) |
| **CIC (separate) and Other** | **(33.8)** | (55.2) |
| **Net Earnings** | **$ 373.9** | $ 376.9 |

## Management's Discussion and Analysis (continued)

The Corporation's consolidated net earnings for the nine months ended September 30, 2012 were $373.9 million (2011 - $376.9 million) or $3.0 million lower than the same period in 2011. Although SaskPower experienced lower earnings of $96.9 million this decrease was offset by an increase in earnings at SGI of $81.6 million.

### Income from Operations

Income from operations for the first nine months of 2012 was $3,291.6 million (2011 - $3,342.5 million), a decrease of $50.9 million compared to the same period in 2011.

Revenue for the the first nine months of 2012 was $3,285.1 million (2011 - $3,307.6 million) or a $22.5 million decrease from the same period in 2011 primarily related to:

1. A $122.8 million decrease in SaskEnergy revenue due mainly to lower sales volumes. The warm weather during the first nine months of 2012 (13 per cent warmer than normal) resulted in a decrease in sales volumes as compared to the same period in 2011 when the weather was significantly colder than normal;

   Partially offset by:

2. A $51.4 million increase in SaskTel revenue primarily driven by higher: (1) wireless revenue from customer growth and increased data usage; (2) *MAX*™ revenues resulting from increased customer access and increased revenue per customer; (3) data revenue from growth in Lan Community Net; and (4) customer premise equipment from data device sales; partially offset by lower: (5) revenue from SaskTel International; (6) enhanced services and access revenue due to residential and Centrex access decreases related to competition; and (7) revenue from wireless replacement; and

3. A $27.6 million increase in SGI revenue due mainly to a 9.5 per cent overall increase in premiums compared to the same period in 2011. Higher premiums in Saskatchewan, Alberta, Manitoba and the Maritimes were only partially offset by lower Ontario premiums attributed to policy attrition tied to two 2011 rate increases in that Province.

Other income for the first nine months of 2012 was $6.5 million (2011 - $34.9 million) which was a $28.4 million decrease from the same period in 2011. Other income in the prior year included recognition of a portion of funding received from the GRF in 2008 restricted to carbon capture and storage initiatives. The Corporation fully exhausted this funding during 2011 on qualifying expenditures for SaskPower's Boundary Dam Unit 3 refurbishment.

### Expenses

Expenses for the first nine months of 2012 were $2,751.7 million (2011 - $2,829.3 million) or a $77.6 million decrease over the same period in 2011 primarily related to:

1. A $113.9 million decrease in SaskEnergy expenses due primarily to lower sales volumes attributed to Saskatchewan weather being 13 per cent warmer than the 30-year average in the first nine months of 2012 versus 8 per cent colder than average for the same period in 2011;

   Partially offset by:

2. An increase of $17.0 million in SaskTel expenses primarily due to: (1) a $14.6 million increase in goods and services purchased to support revenue growth including higher contract, advertising and marketing costs; and (2) an increase of $9.1 million in depreciation and amortization due to higher plant in service; partially offset by: (3) reduced salaries and benefits due to higher earnings on pension assets;

## Management's Discussion and Analysis (continued)

### Expenses (continued)

3. A $32.4 million increase in SaskPower expenses due mainly to: (1) higher fuel costs caused by meeting electricity demand with higher cost natural gas generation versus coal and hydro generation; (2) increased costs for the maintenance of transmission and distribution assets; (3) additional power purchase agreement costs related to the commissioning of the Spy Hill Generating Station in the fall of 2011; (4) increased spending on various new initiatives including information technology and support projects, Service Delivery Renewal and Demand Side Management programs; (5) emergency maintenance to address an outage at Boundary Dam Power Station Unit 6; (6) higher depreciation expense given its large capital expenditure program; and (7) a major overhaul performed at the Shand Power Station.

### Non-Operating Items

Loss on sale of equity accounted investees decreased by $1.1 million to $7.4 million (2011 - $8.5 million). On June 25, 2012, the Corporation sold its 54.7 per cent ownership interest in Apex Investment Limited Partnership for proceeds of $24.2 million resulting in a loss on sale of equity accounted investees of $7.4 million. On June 28, 2011, the Corporation sold its 30.0 per cent ownership interest in Gas Sur S.A. resulting in proceeds of U.S. $6.0 million and a loss on sale of $10.7 million and on September 28, 2011 the Corporation sold its 40.1 per cent investment in IGASAMEX USA Ltd. resulting in proceeds of $17.4 million and a gain on sale of $2.2 million.

In 2011, the Corporation realized a $27.0 million gain on the sale of Saskatoon 2 Properties Limited Partnership (Saskatoon Square) and a $3.7 million gain on the sale of Hospitality Network Canada, Inc. which have been recorded as a gain from discontinued operations. The Corporation had no gains from discontinued operations during the first nine months of 2012.

### Capital Spending

In the first nine months of 2012, property, plant and equipment, intangible asset and investment property purchases increased $373.0 million to $982.1 million (2011 - $609.1 million). Major 2012 capital expenditures included:

1. $642.1 million at SaskPower including: (a) $242.0 million on the Boundary Dam Unit 3 refurbishment; (b) $146.0 million to connect customers to the electric system; (c) $84.0 million to increase capacity and sustain transmission and distribution infrastructure; (d) $42.0 million for a major overhaul and boiler replacement at the Shand Power Station; and (e) $16.0 million on Service Delivery Renewal projects;
2. $189.7 million at SaskTel primarily due to increased spending on Fibre to the Premises and cellular network upgrades to Long Term Evolution (LTE) technology; and
3. $114.6 million at SaskEnergy to expand capacity and maintain the integrity of its extensive distribution and transmission systems.

In the first nine months of 2012, net investment purchases (investment purchases less proceeds from sale of investments) were $183.0 million (2011 - $98.7 million) or an increase of $84.3 million. The majority of the increase was at SGI where investment purchases increased $50.2 million due to turnover of its investment portfolio and $27.5 million in new loans by the Saskatchewan Immigrant Investor Fund Inc. (SIIF) for the Headstart program.

Debt at September 30, 2012 was $5,333.0 million (December 31, 2011 - $4,701.8 million), an increase of $631.2 million due mainly to: (a) a $506.3 million increase in SaskPower debt to fund a portion of its $642.1 million in capital expenditures; (b) a $73.2 million increase in SaskTel debt to fund a portion of its $189.7 million in capital expenditures; (c) a $34.4 million increase in SIIF debt reflecting further amounts received from the Government of Canada's Immigrant Investor Program; and (d) an increase in SaskEnergy debt of $18.1 million to fund a portion of its $114.6 million in capital expenditures.

## Management's Discussion and Analysis (continued)

### Liquidity

CIC and its subsidiary Crowns finance capital requirements through internally generated cash flow and borrowing. The GRF borrows in capital markets on behalf of Crowns. The GRF has sufficient access to capital markets for anticipated borrowing requirements.

| Province of Saskatchewan Credit Ratings on Long-Term Debt as at September 30, 2012 | |
|---|---|
| Moody's Investor Service | Aa1 |
| Standard & Poor's | AAA |
| Dominion Bond Rating Service | AA |

### Liquidity and Capital Resources

| Cash Flow Highlights (millions of dollars) (unaudited) | For the nine months ended September 30 2012 | September 30 2011 |
|---|---|---|
| Net cash from operating activities | **$ 641.6** | $ 768.6 |
| Net cash used in investing activities | **(1,137.5)** | (554.8) |
| Dividends paid | **(127.1)** | (8.5) |
| Debt proceeds received | **329.1** | 35.2 |
| Debt repaid | **(4.1)** | (4.2) |
| Other financing activities | **261.0** | (155.2) |
| Change in cash and cash equivalents | **$ (37.0)** | $ 81.1 |

### Operating, Investing and Financing Activities

Net cash from operating activities for the nine months ended September 30, 2012 was $641.6 million (2011 - $768.6 million). The $127.0 million decrease mainly resulted from: (1) the $114.4 million change in non-cash working capital due mainly to decreased trade and other payables and derivative financial liabilities; and (2) a $64.4 million decrease in cash provided by operating activities from discontinued operations given that Hospitality Network and Saskatoon Square were no longer classified as discontinued operations subsequent to the sale of those entities in 2011.

Net cash used in investing activities for the nine months ended September 30, 2012 was $1,137.5 million (2011 - $554.8 million). The $582.7 million increase in cash outflows is primarily related to:

1. A $373.0 million increase in capital expenditures;
2. A $116.8 million decrease related to the change in restricted cash and cash equivalents balance. In 2012, the Corporation received an additional $11.8 million in funds, net of mortgages issued, from the Government of Canada's Immigrant Investor Program which is restricted for use in Saskatchewan's Headstart on a Home Program. In 2011, restricted funds decreased by $104.9 million due mainly to qualifying expenditures on SaskPower's Boundary Dam Unit 3 carbon capture and storage initiative; and
3. $84.3 million increase in net investment purchases (increase in investment purchases less increase in investment proceeds) primarily due to SGI turning over its investment portfolio during the period and new loans under SIIF's Headstart on a Home Program.

## Management's Discussion and Analysis (continued)

### Operating, Investing and Financing Activities (continued)

The net cash inflow from financing activities for the nine months ended September 30, 2012 was $458.9 million or $591.6 million higher than the $132.7 million cash outflow for the same period in 2011. The increase was mainly due to:

1. A $314.4 million increase in notes payable proceeds;
2. A $101.8 million inflow from changes in other liability balances; and
3. A $293.9 million increase in debt proceeds;

These increased cash inflows were partially offset by:

4. A $118.6 million increase in dividends to the GRF.

### Debt Management

CIC and its subsidiary Crowns prudently manage debt to maintain and enhance financial flexibility. The CIC Board has approved debt targets for CIC and its commercial subsidiaries that take into account their individual circumstances and industry benchmarks.

### Outlook

CIC's outlook related to net earnings is highly dependent upon the performance and management of the subsidiary corporations. Earnings expectations are also subject to many variables including: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance and competition, and the regulatory environment.

CIC projects continued strong operating performance. Net earnings are largely driven by utility Crowns that have relatively stable operating environments, stable or growing customer demand, and rates that are set in accordance with commercial principles. Ongoing challenges are expected to continue, to maintain and expand utility infrastructure at SaskPower and SaskEnergy, as well as to keep pace with industry technological change at SaskTel. Significant capital expenditures in these companies are expected in the medium term.

In addition, continued volatility in financial markets may further affect valuation of pension liabilities, portfolio investments, and natural gas price management instruments.

Crown Investments Corporation of Saskatchewan
Condensed Consolidated Statement of Financial Position
As at
(thousands of dollars)

| | Note | September 30 2012 (unaudited) | December 31 2011 (audited) |
|---|---|---|---|
| **ASSETS** | | | |
| Current | | | |
| Cash and cash equivalents | | **$ 330,701** | $ 371,781 |
| Short-term investments | | **501,075** | 398,638 |
| Accounts receivable | | **579,937** | 612,696 |
| Restricted cash and cash equivalents | | **74,461** | 62,617 |
| Derivative financial assets | | **62,896** | 84,092 |
| Inventories | | **425,258** | 378,368 |
| Prepaid expenses | | **176,789** | 164,373 |
| | | **2,151,117** | 2,072,565 |
| Restricted cash and cash equivalents | | **4,900** | 4,900 |
| Investments | | **1,247,043** | 1,078,190 |
| Investments in equity accounted investees | 5 | **117,594** | 140,732 |
| Property, plant and equipment | | **8,742,778** | 8,239,329 |
| Investment property | | **175,943** | 174,789 |
| Intangible assets | | **311,019** | 270,929 |
| Other assets | | **20,120** | 21,624 |
| | | **$ 12,770,514** | $ 12,003,058 |
| **LIABILITIES AND PROVINCE'S EQUITY** | | | |
| Current | | | |
| Bank indebtedness | | **$ 9,080** | $ 13,191 |
| Trade and other payables | | **610,704** | 684,498 |
| Derivative financial liabilities | | **95,267** | 150,813 |
| Notes payable | | **1,000,539** | 696,464 |
| Deferred revenue | | **423,180** | 403,621 |
| Provisions | | **163,314** | 159,588 |
| Current portion of finance lease obligations | | **5,146** | 3,632 |
| Long-term debt due within one year | | **148,512** | 52,446 |
| | | **2,455,742** | 2,164,253 |
| Provisions | | **450,237** | 440,177 |
| Finance lease obligations | | **554,921** | 558,406 |
| Long-term debt | | **4,183,921** | 3,952,858 |
| Employee future benefits | | **666,196** | 588,324 |
| Other liabilities | | **93,587** | 77,998 |
| | | **8,404,604** | 7,782,016 |
| Province of Saskatchewan's Equity | | | |
| Equity advances | 6 | **1,051,839** | 1,051,839 |
| Contributed surplus | | **138** | 125 |
| Retained earnings | | **3,318,064** | 3,169,782 |
| Accumulated other comprehensive loss | 7 | **(4,131)** | (704) |
| | | **4,365,910** | 4,221,042 |
| | | **$ 12,770,514** | $ 12,003,058 |
| Commitments and contingencies | 8 | | |

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Condensed Consolidated Statement of Comprehensive Income (Loss)
For the Period
(thousands of dollars)
(unaudited)

| | Note | 2012 July 1 to September 30 | 2012 January 1 to September 30 | 2011 July 1 to September 30 | 2011 January 1 to September 30 |
|---|---|---|---|---|---|
| **INCOME FROM OPERATIONS** | | | | | |
| Revenue | | **$ 1,061,014** | **$ 3,285,070** | $ 1,061,441 | $ 3,307,554 |
| Other income | | **1,569** | **6,506** | 2,581 | 34,939 |
| | | **1,062,583** | **3,291,576** | 1,064,022 | 3,342,493 |
| **EXPENSES** | | | | | |
| Operating | | **468,370** | **1,538,803** | 542,306 | 1,686,126 |
| Salaries, wages and short-term employee benefits | | **209,386** | **633,452** | 197,189 | 611,483 |
| Employee future benefits | | **5,486** | **15,714** | 6,874 | 20,195 |
| Depreciation and amortization | | **150,519** | **447,000** | 138,123 | 408,691 |
| Loss on disposal of property, plant and equipment | | **5,491** | **12,876** | 3,283 | 3,073 |
| Impairment loss on investments | | **200** | **200** | - | - |
| Research and development | | **519** | **3,346** | 1,223 | 4,618 |
| Provision for (recovery of) environmental remediation liabilities | | **-** | **-** | 816 | (1,900) |
| Saskatchewan taxes and fees | | **34,106** | **100,295** | 34,051 | 97,035 |
| | | **874,077** | **2,751,686** | 923,865 | 2,829,321 |
| **RESULTS FROM OPERATING ACTIVITIES** | | **188,506** | **539,890** | 140,157 | 513,172 |
| Finance income | | **24,103** | **63,760** | 23,120 | 54,860 |
| Finance expenses | | **(75,092)** | **(235,987)** | (74,195) | (221,401) |
| **NET FINANCE EXPENSES** | | **(50,989)** | **(172,227)** | (51,075) | (166,541) |
| **EARNINGS FROM OPERATIONS** | | **137,517** | **367,663** | 89,082 | 346,631 |
| Share of net earnings from equity accounted investees | | **6,727** | **13,706** | 2,801 | 7,985 |
| **EARNINGS FROM CONTINUING OPERATIONS** | | **144,244** | **381,369** | 91,883 | 354,616 |
| (Loss) gain on sale of equity accounted investees | 5 | **-** | **(7,428)** | 2,162 | (8,557) |
| Gain from discontinued operations | | **-** | **-** | - | 30,802 |
| **NET EARNINGS** | | **144,244** | **373,941** | 94,045 | 376,861 |
| **OTHER COMPREHENSIVE LOSS** | | | | | |
| Defined benefit plan actuarial losses | | **(18,650)** | **(98,609)** | (188,428) | (221,623) |
| Share of changes in comprehensive income (loss) recognized by associates | | **85** | **229** | (164) | (32) |
| Foreign currency translation adjustments | | **(56)** | **(79)** | 701 | 809 |
| Unrealized loss on cash flow hedges | | **(1,807)** | **(3,577)** | (29) | (88) |
| Other | | **-** | **-** | (169) | (287) |
| **OTHER COMPREHENSIVE LOSS** | | **(20,428)** | **(102,036)** | (188,089) | (221,221) |
| **TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN** | | **$ 123,816** | **$ 271,905** | $ (94,044) | $ 155,640 |

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Condensed Consolidated Statement of Changes in Equity
For the Period
(thousands of dollars)
(unaudited)

| | Attributable to the Province of Saskatchewan | | | | |
|---|---|---|---|---|---|
| | Equity Advances (Note 6) | Contributed Surplus | Retained Earnings | Accumulated Other Comprehensive Loss (Note 7) | Total Equity |
| Balance at January 1, 2011 | $ 931,152 | $ 161 | $ 3,131,216 | $ (911) | $ 4,061,618 |
| Total comprehensive income (loss) | - | - | 376,861 | (221,221) | 155,640 |
| Transfers to retained earnings | - | - | (221,623) | 221,623 | - |
| Equity advances | 120,687 | - | - | - | 120,687 |
| Dividends to GRF | - | - | (8,500) | - | (8,500) |
| Other | - | (36) | - | - | (36) |
| Balance at September 30, 2011 | $ 1,051,839 | $ 125 | $ 3,277,954 | $ (509) | $ 4,329,409 |
| Balance at October 1, 2011 | $ 1,051,839 | $ 125 | $ 3,277,954 | $ (509) | $ 4,329,409 |
| Total comprehensive income (loss) | - | - | 74,015 | (62,382) | 11,633 |
| Transfers to retained earnings | - | - | (62,187) | 62,187 | - |
| Dividends to GRF | - | - | (120,000) | - | (120,000) |
| Other | - | - | - | - | - |
| Balance at December 31, 2011 | $ 1,051,839 | $ 125 | $ 3,169,782 | $ (704) | $ 4,221,042 |
| **Balance at January 1, 2012** | **$ 1,051,839** | **$ 125** | **$ 3,169,782** | **$ (704)** | **$ 4,221,042** |
| **Total comprehensive income (loss)** | **-** | **-** | **373,941** | **(102,036)** | **271,905** |
| **Transfers to retained earnings** | **-** | **-** | **(98,609)** | **98,609** | **-** |
| **Dividends to GRF** | **-** | **-** | **(127,050)** | **-** | **(127,050)** |
| **Other** | **-** | **13** | **-** | **-** | **13** |
| **Balance at September 30, 2012** | **$ 1,051,839** | **$ 138** | **$ 3,318,064** | **$ (4,131)** | **$ 4,365,910** |

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Condensed Consolidated Statement of Cash Flows
For the Period
(thousands of dollars)
(unaudited)

| | Note | 2012 January 1 to September 30 | 2011 January 1 to September 30 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Net earnings | | **$ 373,941** | $ 376,861 |
| Adjustments to reconcile net earnings to cash from operating activities | 9 | **558,454** | 483,210 |
| | | **932,395** | 860,071 |
| Net change in non-cash working capital balances related to operations | | **(32,357)** | 82,033 |
| Interest paid | | **(258,412)** | (237,891) |
| Cash provided by operating activities from continuing operations | | **641,626** | 704,213 |
| Cash provided by operating activities from discontinued operations | | **-** | 64,393 |
| Net cash from operating activities | | **641,626** | 768,606 |
| **INVESTING ACTIVITIES** | | | |
| Interest received | | **23,891** | 36,647 |
| Dividends received | | **8,360** | 5,362 |
| Purchase of investments | | **(672,420)** | (488,617) |
| Proceeds from sale and collection of investments | | **489,435** | 389,906 |
| Purchase of property, plant and equipment | | **(897,619)** | (535,281) |
| (Costs related to) proceeds from sale of property, plant and equipment | | **(1,220)** | 5,667 |
| Purchase of intangible assets | | **(78,332)** | (70,207) |
| Purchase of investment property | | **(6,194)** | (3,651) |
| Proceeds from the sale of investment property | | **300** | - |
| (Increase) decrease in restricted cash and cash equivalents | | **(11,844)** | 104,911 |
| Decrease in other assets | | **8,179** | 454 |
| Net cash used in investing activities | | **(1,137,464)** | (554,809) |
| **FINANCING ACTIVITIES** | | | |
| Increase (decrease) in notes payable | | **304,075** | (10,275) |
| Decrease in other liabilities | | **(6,670)** | (108,495) |
| Debt proceeds from GRF | | **295,415** | 550 |
| Debt repayments to GRF | | **(1,081)** | - |
| Debt proceeds from other lenders | | **33,649** | 34,681 |
| Debt repayments to other lenders | | **(3,003)** | (4,179) |
| Sinking fund instalments | | **(36,466)** | (36,506) |
| Dividend paid to GRF | | **(127,050)** | (8,500) |
| Net cash from (used in) financing activities | | **458,869** | (132,724) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS DURING PERIOD** | | **(36,969)** | 81,073 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD** | | **358,590** | 399,316 |
| **CASH AND CASH EQUIVALENTS, END OF PERIOD** | | **$ 321,621** | $ 480,389 |
| Cash and cash equivalents consists of: | | | |
| Cash and cash equivalents from continuing operations | | **$ 330,701** | $ 481,332 |
| Bank indebtedness from continuing operations | | **(9,080)** | (943) |
| | | **$ 321,621** | $ 480,389 |

(See accompanying notes)

## 1. General information

Crown Investments Corporation of Saskatchewan (CIC) is a corporation domiciled in Canada. The address of CIC's registered office and principal place of business is 400 - 2400 College Avenue, Regina, SK, S4P 1C8. The condensed consolidated interim financial statements of CIC comprise CIC and its subsidiaries (collectively referred to as "CIC" or "the Corporation") and CIC's interest in associates, jointly controlled entities and jointly controlled assets with principal activities as described in Note 3.

The results included in these condensed consolidated interim financial statements should not be taken as indicative of the performance to be expected for a full year due to the seasonal nature of corporate operations.

## 2. Basis of preparation

### a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 - *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and accordingly should be read in conjunction with the December 31, 2011 audited consolidated financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 29, 2012.

### b) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian Dollars, which is CIC's functional currency.

## 3. Significant accounting policies

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those disclosed in CIC's December 31, 2011 audited consolidated financial statements.

The accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements and have been consistently applied by CIC's subsidiaries.

### Basis of consolidation

### Subsidiaries

Saskatchewan provincial Crown corporations are either designated as subsidiary Crown corporations of CIC or created as CIC Crown corporations under *The Crown Corporations Act, 1993* (the Act). The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, CIC also consolidates the accounts of Gradworks Inc., a wholly-owned non-profit subsidiary, and the following wholly-owned share capital subsidiaries: CIC Asset Management Inc.; First Nations and Métis Fund Inc.; CIC Economic Holdco Ltd.; Saskatchewan Immigrant Investor Fund Inc. (SIIF) and CIC Apex Equity Holdco Ltd., all of which are domiciled in Canada.

**3. Significant accounting policies (continued)**

Separate condensed interim financial statements for CIC have been prepared to show the financial position and results of operations of the corporate entity. In addition, condensed interim financial statements for each of the undernoted Crown corporations, which are consolidated in these financial statements, are prepared and released publicly:

| **Wholly-owned subsidiaries domiciled in Canada** | **Principal activity** |
|---|---|
| Information Services Corporation of Saskatchewan (ISC) | Registry services |
| SaskEnergy Incorporated (SaskEnergy) | Natural gas storage and delivery |
| Saskatchewan Development Fund Corporation (SDFC) | Inactive |
| Saskatchewan Gaming Corporation (SGC) | Entertainment |
| Saskatchewan Government Insurance (SGI) | Property and casualty insurance |
| Saskatchewan Opportunities Corporation (SOCO) | Research Parks |
| Saskatchewan Power Corporation (SaskPower) | Electricity |
| Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel) | Telecommunications |
| Saskatchewan Transportation Company (STC) | Passenger and freight transportation |
| Saskatchewan Water Corporation (SaskWater) | Water and waste water management |

**Associates and jointly controlled entities (investments in equity accounted investees)**

Associates are those entities in which CIC has significant influence, but not control, over strategic financial and operating decisions. Significant influence is presumed to exist when CIC holds between 20.0 and 50.0 per cent of the voting power of another entity. Jointly controlled entities are those entities over whose activities CIC has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method and are recognized initially at cost. CIC's investment includes any goodwill identified at acquisition, net of accumulated impairment losses. The condensed consolidated interim financial statements include CIC's share of the total comprehensive income and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of CIC, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When CIC's share of losses exceeds its interest in equity accounted investees, the carrying amount of that interest is reduced to $Nil and the recognition of further losses is discontinued except to the extent that CIC has an obligation or has made payments on behalf of the investee.

**Jointly controlled assets**

Jointly controlled assets involve the joint control of one or more assets acquired for and dedicated to the purpose of a joint venture. The condensed consolidated interim financial statements include CIC's proportionate share of the jointly controlled assets, incurred liabilities and income and expenses as well as any liabilities and expenses that CIC has incurred directly with respect of its 50.0 per cent interest in the Kisbey Gas Gathering and Processing Facility and the Totnes Natural Gas Storage Facility.

**Special purpose entities**

CIC has established certain special purpose entities (SPEs) for trading and investment purposes. CIC does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with CIC and the SPE's risks and rewards, CIC concludes that it controls the SPE. SPEs controlled by CIC were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in CIC receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

CIC has two SPEs, Meadow Lake Pulp Limited Partnership and 212822 Saskatchewan Ltd. These SPEs are not material to CIC's consolidated results.

**3. Significant accounting policies (continued)**

**Transactions eliminated on consolidation**

Inter-group balances and transactions, and any unrealized income and expenses arising from inter-group transactions, are eliminated in preparing the condensed consolidated interim financial statements. Unrealized gains arising from transactions with investments in equity accounted investees are eliminated against the investment to the extent of CIC's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

**New Standards not yet adopted**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended September 30, 2012, and have not been applied in preparing these condensed consolidated interim financial statements. In particular, the following new and amended standards become effective for periods beginning on or after January 1, 2013.

- *IFRS 4, Insurance contracts*
- *IFRS 9, Financial Instruments*
- *IFRS 10, Consolidated Financial Statements*
- *IFRS 11, Joint Arrangements*
- *IFRS 12, Disclosure of Interests in Other Entities*
- *IFRS 13, Fair Value Measurement*
- *IAS 1, Presentation of Financial Statements*
- *IAS 19, Employee Benefits*
- *IAS 27, Separate Financial Statements*
- *IAS 28, Investments in Associates and Joint Ventures*

The extent of the impact on adoption of these standards is not known at this time.

**4. Status of CIC**

CIC was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of *The Crown Corporations Act, 1993*. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is not subject to federal and provincial income taxes. Certain jointly controlled enterprises and subsidiaries are not provincial Crown corporations and are subject to federal and provincial income taxes.

**5. Investments in equity accounted investees**

On June 25, 2012, the Corporation sold its investment in Apex Investment Limited Partnership for proceeds of $24.2 million resulting in a loss on sale of $7.4 million.

**6. Equity advances and capital disclosures**

CIC does not have share capital. However, CIC has received advances from the GRF to form its equity capitalization. The advances are an equity investment in CIC by the GRF.

Due to its ownership structure, CIC has no access to capital markets for equity. Equity advances in CIC are determined by the shareholder on an annual basis. Dividends to the GRF are determined through the Saskatchewan provincial budget process on an annual basis.

CIC closely monitors its debt level utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a CIC's capital structure. CIC uses this measure in assessing the extent of financial leverage and in turn, its financial flexibility.

Too high a ratio relative to target indicates an excessive debt burden that may impair CIC's ability to withstand downturns in revenues and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the period.

CIC reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure consistency with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the CIC Board. CIC uses targeted debt ratios to compile a weighted average debt to equity ratio for the CIC Crown sector. The target ratio for 2012 is 60.3 per cent.

**6. Equity advances and capital disclosures (continued)**

CIC raises most of its capital requirements through internal operating activities and long-term debt through the GRF. This type of borrowing allows CIC to take advantage of the Province of Saskatchewan's strong credit rating and receive financing at attractive interest rates.

CIC made no changes to its approach to capital management during the period.

The debt ratio is as follows (thousands of dollars):

| | **September 30 2012** | December 31 2011 |
|---|---|---|
| Total debt (a) | **$ 5,332,972** | $ 4,701,768 |
| Less: Sinking funds | **(564,192)** | (513,215) |
| Net debt | **4,768,780** | 4,188,553 |
| Equity (b) | **4,370,041** | 4,221,746 |
| Capitalization | **$ 9,138,821** | $ 8,410,299 |
| Debt ratio | **52.2%** | 49.8% |

a) Total debt includes long-term debt, long-term debt due within one year and notes payable.

b) Equity includes equity advances, contributed surplus and retained earnings.

**7. Accumulated other comprehensive loss**
(thousands of dollars)

| | **September 30 2012** | December 31 2011 |
|---|---|---|
| Foreign currency translation adjustments | **$ (749)** | $ (670) |
| Unrealized (losses) gains on cash flow hedges | **(3,320)** | 257 |
| Unrealized losses on interest rate swaps | **(62)** | (291) |
| | **$ (4,131)** | $ (704) |

**8. Commitments and contingencies**

a) Five statement of claims have been filed against the Corporation in relation to a home explosion, two basement fires, a proximity fire and a garage fire during the spring of 2011 in Regina, Saskatchewan. A sixth action was commenced that relates to a house fire in 2010. The Corporation has filed statements of defense, cross claims and third party claims, however these claims remain at an early stage and at this time the Corporation does not expect the outcome to result in any material financial impact.

b) CIC has various legal matters pending which, in the opinion of management, will not have a material effect on CIC's consolidated financial position or results of operations. Should the ultimate resolution of actions differ from management's assessments and assumptions, a material adjustment to CIC's financial position or results of operations could result.

## 9. Consolidated statement of cash flows

(thousands of dollars)

| | 2012 January 1 to September 30 | 2011 January 1 to September 30 |
|---|---|---|
| **Adjustments to reconcile net earnings to cash provided by operating activities** | | |
| Depreciation and amortization | **$ 447,000** | $ 408,691 |
| Share of earnings from investments in equity accounted investees | **(13,706)** | (7,985) |
| Gain from discontinued operations | **-** | (30,802) |
| Loss on sale of equity accounted investees | **7,428** | 8,557 |
| Employer funding contributions | **(133)** | (39,069) |
| Defined benefit pension plan income | **(11,527)** | (5,093) |
| Recovery of environmental remediation liabilities | - | (1,900) |
| Unrealized gains on derivative financial instruments | **(37,844)** | (15,265) |
| Inventory recoveries | **(19,531)** | (7,825) |
| Loss on disposal of property, plant and equipment | **12,876** | 3,073 |
| Net finance expenses | **172,227** | 166,541 |
| Other non-cash items | **1,664** | 4,287 |
| | **$ 558,454** | $ 483,210 |

## 10. Comparative figures

Certain of the 2011 comparative figures have been reclassified to conform to the current period's presentation.

# Separate Financial Statements

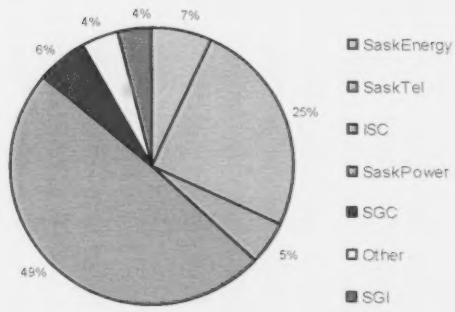
## Management's Discussion and Analysis

CIC is the provincial government's holding company for its commercial Crowns. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations based on their profitability and financial condition.

This narrative on CIC's separate September 30, 2012 third quarter results should be read in conjunction with the December 31, 2011 audited separate financial statements.

For the purposes of this narrative on CIC's separate financial results, "CIC" refers to the holding company.

**Dividend Revenue**




### Financial Results

| **CIC Separate Third Quarter Earnings**<br>(thousands of dollars)<br>(unaudited) | **For the nine months ended September 30, 2012** | For the nine months ended September 30, 2011 |
|---|---|---|
| Dividend revenue from subsidiary corporations | **$ 243.6** | $ 164.9 |
| Add: Finance and other revenue | **3.2** | 3.8 |
| Grant funding from GRF | **-** | 99.8 |
| Less: Operating, salaries and other expenses | **(9.8)** | (11.9) |
| Grants to subsidiary corporations | **(16.7)** | (121.8) |
| Total separate net earnings | **$ 220.3** | $ 134.8 |

### Net Earnings

Net earnings for the first nine months of 2012 were $220.3 million (2011 - $134.8 million) or an increase of $85.5 million from the same period in 2011. The increase is primarily due to higher dividend revenue of $78.7 million, lower grants to subsidiary corporations of $105.1 million and lower operating expenses of $2.0 million due to an impairment loss on CIC's investment in First Nations and Metis Fund Inc. occurring in 2011. These increases to net earnings were partially offset by lower grant funding from the General Revenue Fund of $99.8 million.

### Dividend Revenue

Dividend revenue for the nine months ended September 30, 2012 was $243.6 million (2011 - $164.9 million). The $78.7 million increase was due to higher dividends from SaskPower ($120.0 million), CIC Apex Equity Holdco Ltd. ($4.9 million), ISC ($3.4 million), SOCO ($2.1 million) and SGC ($0.3 million). These increases in dividend revenue were partially offset by lower dividends from SaskTel ($32.4 million), SGI ($6.2 million) and SaskEnergy ($13.4 million).

For the first nine months of each year, dividends from subsidiary Crown corporations are based on 75.0 per cent of their forecasted dividend for the year. The forecasted dividend is calculated under CIC's dividend policy which applies a percentage payout of net earnings based on the overall financial health of the subsidiary Crown and its need for capital investment. These dividend forecasts are subject to change during the year if there is a significant change in circumstances. For the current year, the dividend at ISC is based on 90.0 per cent of net earnings, SGC is based on 80.0 per cent of net earnings, SaskTel and SOCO are based on 65.0 per cent of net earnings, SaskEnergy is based on 38.0 per cent of net earnings and SGI is based on 20.0 per cent of net earnings. In 2012, the CIC Board approved a $120.0 million dividend from SaskPower based on exceptional net earnings in 2011. The SaskPower dividend was declared by the SaskPower Board in March, 2012 and is payable to CIC in quarterly installments of $30.0 million. CIC AMI's dividend is calculated on a cash availability formula, which is determined at year end.

On June 25, 2012, CIC Apex Equity Holdco Ltd. sold its investment in Apex Investment Limited Partnership for $24.2 million. The proceeds repaid CIC's outstanding loans with the remaining $4.9 million declared and paid to CIC as a dividend.

### Operating, Salaries and Benefits and Other Expenses

Operating, salaries and benefits and other expenses were $9.8 million for the nine months ended September 30, 2012 (2011 - $11.9 million). The decrease of $2.1 million was due mainly to a $2.0 million impairment loss on CIC's investment in First Nations and Metis Fund Inc. in 2011.

### Grants to Subsidiary Corporations

During the first nine months of 2012, CIC provided $16.7 million (2011 - $121.8 million) in grants to subsidiary corporations. STC received $8.4 million (2011 - $7.1 million) in grants to support ongoing operations. SaskEnergy received $8.1 million (2011 - $11.6 million) to fund the EnerGuide for Houses Program. Gradworks Inc., received $0.2 million (2011 - $0.3 million) to fund its internship program. SaskPower received $Nil (2011 - $99.8 million) as CIC fulfilled its obligations for funding SaskPower's carbon capture and storage initiatives in 2011. SGI received $Nil (2011 - $2.9 million)to fund its vehicle registration rebate for hybrid and fuel efficient vehicles.

CIC's 2012 budget includes public policy and grant funding expenditures as follows: $11.5 million to support ongoing operations at STC; $14.0 million of funding to SaskEnergy for the EnerGuide for Houses Program and $0.5 million of operating grants to Gradworks.

## Liquidity and Capital Resources

| Cash Flow Highlights (millions of dollars) (unaudited) | For the nine months ended September 30 2012 | September 30 2011 |
|---|---|---|
| Net cash from operating activities | **$ 205.9** | $ 126.3 |
| Net cash (used in) from investing activities | **(40.0)** | 18.5 |
| Net cash used in financing activities | **(127.1)** | (108.3) |
| Net change in cash | **$ 38.8** | $ 36.5 |

### Liquidity

CIC finances its capital requirements through internally-generated cash flow and through borrowing from the GRF. The GRF borrows on CIC's behalf in capital markets.

### Operating, Investing and Financing Activities

Cash from operating activities for the nine months ended September 30, 2012 was $205.9 million (2011 - $126.3 million). The $79.6 million increase was due mainly to higher net earnings of $85.5 million partially offset by an increase in other non-cash working capital balances related to operations of $3.2 million.

Cash used in investing activities for the nine months ended September 30, 2012 was $40.0 million (2011 - cash from $18.5 million). The $58.6 million increase in cash used is due mainly to a decrease in restricted cash and cash equivalents in 2011 of $110.1 million; offset by $21.4 million in loan repayments from CIC Apex Equity Holdco Ltd. during 2012 and a decrease in purchase of short-term investments of $32.4 million.

Cash used in financing activities was $127.1 million (2011 - $108.3 million). Financing activities consisted of a dividend paid to the GRF of $120.0 million on March 30, 2012 and $7.1 million on June 15, 2012.

### Debt Management

CIC as a legal entity has no debt. Currently, CIC does not expect to borrow in 2012.

### Outlook and Key Factors Affecting Performance

The key factor affecting CIC's earnings is the level of net earnings and in turn dividends from commercial subsidiary Crown corporations. The CIC Board determines dividends from a commercial subsidiary after allocating cash for reinvestment within the Crown to sustain operations, to grow and to diversify, and for debt reduction if necessary.

CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges there to be a permanent impairment in carrying value. CIC regularly reviews its investments with private sector partners to determine the appropriateness of retention or sale.

Crown Investments Corporation of Saskatchewan
Condensed Separate Statement of Financial Position
As at
(thousands of dollars)

| | Note | September 30 2012 (unaudited) | December 31 2011 (audited) |
|---|---|---|---|
| **ASSETS** | | | |
| Current | | | |
| Cash and cash equivalents | | **$ 183,709** | $ 144,877 |
| Short-term investments | | **261,658** | 203,719 |
| Interest and accounts receivable | | **1,550** | 2,168 |
| Dividends receivable | | **76,660** | 65,171 |
| | | **523,577** | 415,935 |
| Equity advances to Crown corporations | 5 | **1,203,723** | 1,203,723 |
| Investments in share capital corporations | 6 | **87,355** | 102,346 |
| Equipment | | **350** | 422 |
| Intangible assets | | **466** | 486 |
| | | **$ 1,815,471** | $ 1,722,912 |
| **LIABILITIES AND PROVINCE'S EQUITY** | | | |
| Interest and accounts payable | | **$ 1,955** | $ 2,682 |
| Province of Saskatchewan's Equity | | | |
| Equity advances | | **1,051,839** | 1,051,839 |
| Retained earnings | | **761,677** | 668,391 |
| | | **1,813,516** | 1,720,230 |
| | | **$ 1,815,471** | $ 1,722,912 |

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Condensed Separate Statement of Comprehensive Income
For the Period
(thousands of dollars)
(unaudited)

| | Note | 2012 July 1 to September 30 | 2012 January 1 to September 30 | 2011 July 1 to September 30 | 2011 January 1 to September 30 |
|---|---|---|---|---|---|
| **INCOME FROM OPERATIONS** | | | | | |
| Dividend | 7 | **$ 46,660** | **$ 243,638** | $ 50,604 | $ 164,942 |
| Other income | | **1** | **153** | 2 | 93 |
| | | **46,661** | **243,791** | 50,606 | 165,035 |
| **EXPENSES** | | | | | |
| Operating | | **752** | **4,094** | 1,966 | 4,649 |
| Salaries and benefits | | **1,565** | **5,211** | 1,630 | 4,843 |
| Future employee benefit expense | | **105** | **361** | 99 | 360 |
| Impairment loss | | **-** | **-** | 2,000 | 2,000 |
| Depreciation and amortization | | **38** | **112** | 42 | 120 |
| | | **2,460** | **9,778** | 5,737 | 11,972 |
| **EARNINGS FROM OPERATIONS** | | **44,201** | **234,013** | 44,869 | 153,063 |
| Finance income | | **1,064** | **3,027** | 1,282 | 3,679 |
| Finance expenses | | **(2)** | **(7)** | (2) | (7) |
| **NET FINANCE INCOME** | | **1,062** | **3,020** | 1,280 | 3,672 |
| **EARNINGS BEFORE PUBLIC POLICY INITIATIVES** | | **45,263** | **237,033** | 46,149 | 156,735 |
| Deferred grant funding earned | | **-** | **-** | - | 99,840 |
| Grants to subsidiary corporations | 8 | **(3,568)** | **(16,697)** | (5,894) | (121,796) |
| **NET EARNINGS ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN** | | **41,695** | **220,336** | 40,255 | 134,779 |
| **OTHER COMPREHENSIVE INCOME** | | **-** | **-** | - | - |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN** | | **$ 41,695** | **$ 220,336** | $ 40,255 | $ 134,779 |

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Condensed Separate Statement of Changes in Equity
For the period
(thousands of dollars)
(unaudited)

| | Note | 2012 January 1 to September 30 | 2011 January 1 to September 30 |
|---|---|---|---|
| **RETAINED EARNINGS** | | | |
| Retained earnings - beginning of period | | **$ 668,391** | $ 629,815 |
| Total comprehensive income | | **220,336** | 134,779 |
| Dividend to General Revenue Fund | | **(127,050)** | (8,500) |
| Retained earnings - end of period | | **761,677** | 756,094 |
| **EQUITY ADVANCES** | | | |
| Equity advances - beginning of period | | **1,051,839** | 931,152 |
| Equity advances received | | **-** | 120,687 |
| Equity advances repaid | | **-** | - |
| Equity advances - end of period | | **1,051,839** | 1,051,839 |
| **EQUITY ATTRIBUTABLE TO THE PROVINCE OF SASKATCHEWAN** | | **$ 1,813,516** | $ 1,807,933 |

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Condensed Separate Statement of Cash Flows
For the Period
(thousands of dollars)
(unaudited)

| | Note | 2012 January 1 to September 30 | 2011 January 1 to September 30 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Net earnings | | **$ 220,336** | $ 134,779 |
| Items not affecting cash from operations | | | |
| Amortization of discounts and premiums | | **120** | 1,567 |
| Depreciation and amortization | | **112** | 120 |
| Impairment loss | | **-** | 2,000 |
| Net finance income | | **(3,020)** | (3,672) |
| | | **217,548** | 134,794 |
| Net change in non-cash working capital balances related to operations | 9 | **(11,598)** | (8,431) |
| Interest paid | | **(7)** | (7) |
| Net cash from operating activities | | **205,943** | 126,356 |
| **INVESTING ACTIVITIES** | | | |
| Interest received | | **3,027** | 3,679 |
| Purchase of investments | | **(6,568)** | (6,664) |
| Increase in short-term investments | | **(58,060)** | (90,492) |
| Decrease in restricted cash and cash equivalents | | **-** | 110,105 |
| Repayment of due from CIC Economic Holdco Ltd. | | **172** | 590 |
| Repayment of due from Apex Equity Holdco Ltd. | | **21,387** | 1,372 |
| Purchase of equipment and intangible assets | | **(19)** | (81) |
| Net cash (used in) from investing activities | | **(40,061)** | 18,509 |
| **FINANCING ACTIVITIES** | | | |
| Decrease in deferred funding | | **-** | (99,840) |
| Dividend paid to General Revenue Fund | | **(127,050)** | (8,500) |
| Net cash used in financing activities | | **(127,050)** | (108,340) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS DURING PERIOD** | | **38,832** | 36,525 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD** | | **144,877** | 160,811 |
| **CASH AND CASH EQUIVALENTS, END OF PERIOD** | | **$ 183,709** | $ 197,336 |

(See accomparying notes)

## 1. General information

Crown Investments Corporation of Saskatchewan (CIC) is a corporation domiciled in Canada. The address of the CIC's registered office and principal place of business is 400 - 2400 College Avenue, Regina, SK, S4P 1C8. CIC was established to act as a holding corporation for the province's commercial Crown sector. CIC develops broad corporate policy, directs investments for its subsidiaries and provides dividends to the province's General Revenue Fund (GRF). A list of CIC's subsidiaries is contained in Note 3.

## 2. Basis of preparation

### a) Statement of compliance

The condensed separate financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 - *Interim Financial Reporting*. The policies set out have been consistently applied to all the periods presented unless otherwise noted. CIC's condensed separate interim financial statements are prepared at the request of the Legislative Assembly of Saskatchewan. The condensed separate interim financial statements do not include all of the information required for full annual financial statements, and accordingly should be read in conjunction with the December 31, 2011 audited separate financial statements.

The condensed separate interim financial statements were authorized for issue by the CIC Board of Directors on November 29, 2012.

### b) Functional and presentation currency

These condensed separate interim financial statements are presented in Canadian Dollars, which is CIC's functional currency.

## 3. Status of Crown Investments Corporation of Saskatchewan

The Government Finance Office was established by Order in Council 535/47 dated April 2, 1947, and was continued under the provision of *The Crown Corporations Act, 1993* (the Act), as CIC. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is not subject to federal and provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following wholly-owned Crown corporations have been designated or created by Order in Council:

Information Services Corporation of Saskatchewan
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Gaming Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Transportation Company
Saskatchewan Water Corporation

In addition to the above Crown corporations, CIC is the sole member of Gradworks Inc., a non-profit corporation and the sole shareholder of CIC Asset Management Inc. (CIC AMI), First Nations and Métis Fund Inc. (FNMF), Saskatchewan Immigrant Investor Fund Inc. (SIIF), and CIC Economic Holdco Ltd. which are wholly-owned share capital subsidiaries.

All subsidiary Corporations are domiciled in Canada.

## 4. Summary of significant accounting policies

The accounting policies and methods of computation used in the preparation of these condensed separate interim financial statements are consistent with those disclosed in CIC's December 31, 2011 audited separate financial statements.

CIC's condensed separate interim financial statements do not consolidate the activities of its subsidiaries. Other than this exception, the accounting policies have been consistently applied by CIC's subsidiary corporations.

CIC prepares condensed consolidated interim financial statements in accordance with IAS 27 - *Consolidated and Separate Financial Statements*. The unaudited condensed consolidated interim financial statements have been authorized by the CIC Board of Directors on November 29, 2012. CIC's condensed consolidated interim financial statements should be referenced for further information.

## 5. Equity advances to Crown corporations

Equity advances to Crown corporations are as follows:
(thousands of dollars)

| | **September 30 2012** | December 31 2011 |
|---|---|---|
| Saskatchewan Power Corporation | **$ 660,000** | $ 660,000 |
| Saskatchewan Telecommunications Holding Corporation | **250,000** | 250,000 |
| Saskatchewan Opportunities Corporation | **120,687** | 120,687 |
| Saskatchewan Government Insurance | **80,000** | 80,000 |
| SaskEnergy Incorporated | **71,531** | 71,531 |
| Saskatchewan Gaming Corporation | **12,805** | 12,805 |
| Saskatchewan Water Corporation | **8,700** | 8,700 |
| | **$ 1,203,723** | $ 1,203,723 |

## 6. Investments in share capital corporations

On June 25, 2012, CIC, through its wholly-owned subsidiary CIC Apex Equity Holdco Ltd., sold its investment in Apex Investment Limited Partnership for proceeds of $24.2 million. The proceeds repaid CIC Apex Equity Holdco Ltd. amounts due to CIC of $19.3 million. The remaining $4.9 million was paid to CIC by dividend (Note 7).

## 7. Dividend revenue

Dividend revenue consists of the following:
(thousands of dollars)

| | January 1 to September 30 2012 | January 1 to September 30 2011 |
|---|---|---|
| Saskatchewan Power Corporation | **$ 120,000** | $ - |
| Saskatchewan Telecommunications Holding Corporation | **61,376** | 93,758 |
| SaskEnergy Incorporated | **16,500** | 29,866 |
| Saskatchewan Gaming Corporation | **15,594** | 15,328 |
| Information Services Corporation | **13,158** | 9,810 |
| Saskatchewan Government Insurance | **10,007** | 16,180 |
| CIC Apex Equity Holdco Ltd. | **4,947** | - |
| Saskatchewan Opportunities Corporation | **2,056** | - |
| | **$ 243,638** | $ 164,942 |

## 8. Grants to subsidiary corporations

(thousands of dollars)

| | January 1 to September 30 2012 | January 1 to September 30 2011 |
|---|---|---|
| Saskatchewan Transportation Company | **$ 8,400** | $ 7,150 |
| SaskEnergy Incorporated | **8,077** | 11,556 |
| Gradworks Inc. | **220** | 300 |
| Saskatchewan Power Corporation | **-** | 99,840 |
| Saskatchewan Government Insurance | **-** | 2,950 |
| | **$ 16,697** | $ 121,796 |

## 9. Net change in non-cash working capital balances related to operations

(thousands of dollars)

| | January 1 to September 30 2012 | January 1 to September 30 2011 |
|---|---|---|
| Decrease in interest and accounts receivable | **$ 618** | $ 1,230 |
| (Increase) decrease in dividends receivable | **(11,489)** | 2,092 |
| Decrease in interest and accounts payable | **(727)** | (11,753) |
| | **$ (11,598)** | $ (8,431) |